

Message Text

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ACTION EUR-12

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SUBJ: JOINT EC FOREIGN/FINANCE MINISTERS COUNCIL,

NOVEMBER 21, 1977: RESULTS

REF: (A) BRUSSELS 14565 (B) BRUSSELS 9066

1. SUMMARY: THE NOVEMBER 21 JOINT MEETING OF THE EC FOREIGN AND FINANCE MINISTERS FAILED TO PRODUCE AGREEMENT ON APPLICATION OF ARTICLE 131 OF THE ACCESSION TREATY, WHICH HAS NOW BEEN REFERRED TO THE DECEMBER 5-6 EUROPEAN COUNCIL FOR RESOLUTION. THE MINISTERS DID REACH AGREEMENT, HOWEVER, ON A FINANCIAL REGULATION WHICH WOULD PUT "OWN RESOURCES" INTO EFFECT AND (SUBJECT TO EVENTUAL AGREEMENT ON ARTICLE 131) ON A REGULATION GOVERNING PROCEDURAL APPLICATION OF AN "OWN RESOURCES" SYSTEM. END SUMMARY.

2. ARTICLE 131:

THE MINISTERS WERE UNABLE TO BRIDGE DIFFERENCES BETWEEN

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THE UK, IRELAND, AND THE EC COMMISSION ON THE ONE HAND, AND THE OTHER MEMBER STATES ON THE OTHER, CONCERNING APPLICATION OF ARTICLE 131 OF THE ACCESSION TREATY, WHICH PLACES A CEILING ON THE INCREASE IN RELATIVE SHARES TO BE PAID INTO THE EC BUDGET BY NEW MEMBER STATES FOR THE YEARS 1978 AND 1979. AS NOTED REF A, THE DISPUTE INVOLVES HOW ARTICLE 131 SHOULD BE INTERPRETED WITH THE CHANGE OVER

OF THE BUDGET TO A EUROPEAN UNIT OF ACCOUNT (EUA) BASIS. THE MINISTERS DECIDED THE ENTIRE ISSUE SHOULD BE SUBMITTED TO THE DECEMBER 5-6 EUROPEAN COUNCIL FOR DECISION. IN REMARKS TO THE PRESS, CHIEF SECRETARY TO THE UK TREASURY JOEL BARNETT PREDICTED THAT THE HEADS OF GOVERNMENT WILL ADOPT A BELGIAN/DANISH PROPOSAL THAT BUDGETARY CONTRIBUTIONS BY ALL MEMBER STATES BE PAID AT THE LOWER RATE (I.E., AS BETWEEN THE OPPOSING INTERPRETATIONS OF ARTICLE 131), RESULTING IN A 3 TO 4 PER CENT COMMUNITY BUDGETARY DEFICIT, WHICH COULD THEN BE FINANCED THROUGH A LOAN TO BE REPAID OUT OF "OWN RESOURCES" AFTER 1980. BARNETT'S OPTIMISTIC APPRAISAL WAS DISPUTED, HOWEVER, DURING PRESS CONFERENCES BY THE FRENCH AND GERMAN MINISTERS; EVEN IRISH FINANCE MINISTER COLLEY EMPHASIZED TO REPORTERS THAT THE BELGIAN/DANISH PROPOSAL IS ONLY ONE OF SEVERAL OPTIONS WHICH WILL BE PRESENTED TO THE HEADS OF GOVERNMENT.

3. BARNETT ALSO TOLD REPORTERS THE COUNCIL HAD AGREED THAT THE JUNE 20 BUDGET COUNCIL DECISION (REF B) TO ESTABLISH THE 1978 OUTLINE BUDGET IN EUROPEAN UNITS OF ACCOUNT (EUA) SHOULD BE ALLOWED TO STAND, BUT THAT THE EUROPEAN PARLIAMENT, WHICH WILL REVIEW THE BUDGET AGAIN IN DECEMBER, SHOULD BE INFORMED THAT, IF THE HEADS OF GOVERNMENT FAIL TO AGREE ON THIS ISSUE, THE BUDGET WILL HAVE TO BE REDOMINATED IN CURRENT UNITS OF ACCOUNT. UNCLASSIFIED

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4. "OWN RESOURCES" -- INTRODUCTION OF HARMONIZED VAT BASE:

WITH LIFTING OF DANISH AND BRITISH RESERVES, THE COUNCIL AGREED TO SEND TO THE EUROPEAN PARLIAMENT THE REVISED PROPOSAL FOR A FINANCIAL REGULATION WHICH WOULD PUT "OWN RESOURCES" INTO EFFECT (REF A). HOWEVER, PERMDEL SOURCES NOTE THAT APPLICATION OF THE "OWN RESOURCES" SYSTEM REQUIRES THAT AT LEAST THREE GOVERNMENTS HAVE IN PLACE LEGISLATION IMPLEMENTING THE HARMONIZED VAT BASE; AT PRESENT ONLY THE UK DOES. IT AT LEAST TWO OTHER MEMBERS CANNOT COMPLY, THE CHANGEOVER WOULD LIKELY BE POSTPONED TO 1979.

5. "OWN RESOURCES" -- PROCEDURAL APPLICATION:

THE COUNCIL ALSO AGREED TO FORWARD TO THE EUROPEAN PARLIAMENT THE PROPOSED REGULATION WHICH WOULD LAY DOWN TECHNICAL AND PROCEDURAL REQUIREMENTS FOR APPLICATION OF "OWN RESOURCES" ARRANGEMENTS AS OF JANUARY 1, 1978. THE MINISTERS HAVE YET TO DECIDE ON THOSE PROVISIONS OF THE PROPOSED REGULATION CONCERNING THE APPLICATION OF ARTICLE

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